

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

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L-02 H-02 PA-01 PRS-01 USIA-06 PC-01 AGR-05 FTC-01

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R 271500Z MAR 75

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 4502

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EO 11652 N/A

TAGS: EFEN, PE

SUBJECT: SPEECH BY COMMERCE MINISTER

1. IN LATEST IN SERIES OF SPEECHES BY GOP MINISTERS ON THEIR RESPECTIVE SECTORS OF 1975-76 BIENNIAL BUDGET, COMMERCE MINISTER GEN. LUIS ARIAS ADDRESSED NATION EVENING OF MARCH 20.

2. IN AREA OF FOREIGN TRADE, HE NOTED THAT ALTHOUGH TRADE BALANCE WAS FAVORABLE FOR YEARS 1968-74 AS A WHOLE, 1974 SHOWED A DEFICIT OF \$426 MILLION AND PROJECTIONS FOR 1975-76 SHOW EVEN LARGER DEFICITS. HE THEN STATED, "NEVERTHELESS, A TRADE DEFICIT DOES NOT REPRESENT, IN AND OF ITSELF, A NEGATIVE FACTOR IN THE ECONOMIC DEVELOPMENT OF A COUNTRY. THE EFFECTS DEPEND ON THE UTILIZATION AND ORIENTATION OF IMPORTS AS MUCH AS ON THE FUTURE DEVELOPMENT OF EXPORTS TO FINANCE NEW IMPORTS".

3. ARIAS ADMITTED WHAT EMBASSY AND ALL OTHERS WHO HAVE DEALINGS WITH PERUVIAN CUSTOMS HAVE LONG KNOWN: CUSTOMS

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IS GROSSLY INEFFICIENT AND, AS A RESULT, EXTRACTING

GOODS FROM BOND TAKES AN INORDINATE AMOUNT OF TIME. IN AN ATTEMPT TO COMBAT THIS, GOP HAS APPLIED FOR A WEST GERMAN GROUP OF EXPERTS TO CONDUCT A STUDY OF CUSTOMS PROCEDURES AND MAKE RECOMMENDATIONS WHICH, HE SAID, WILL BE IMPLEMENTED AS SOON AS POSSIBLE. (COMMENT: IN JANUARY GOP IMPLEMENTED A NEW LAW DESIGNED TO "SIMPLIFY" CUSTOMS PROCEDURES. NEVERTHELESS, GOODS ARE PILING UP IN CUSTOMS AND GOP IS TAKING DRACONIAN MEASURES REGARDING AUCTION OF GOODS TO CLEAR UP THE MESS. MINISTER COULD OF COURSE AFFORD TO BE CRITICAL OF CUSTOMS AS THAT SERVICE UNTIL RECENTLY RESIDED IN MINISTRY OF ECONOMY.)

4. TURNING TO INTERNAL ACTIVITIES, ARIAS INDICATED THAT MIDDLEMEN (INTERMEDIARIOS) WILL GRADUALLY BE ELIMINATED TO "MAXIMIZE EFFICIENCY" OF COMMERCIAL SYSTEM. HE SAID MANY POSSIBILITIES BEING STUDIED FOR ESTABLISHMENT OF SOCIAL PROPERTY ENTERPRISES, MOST ADVANCED BEING ENTERPRISES FOR MARKETING OF WOOL, ALPACA PRODUCTS AND AUTOMOTIVE SPARE PARTS. HE ALSO NOTED THAT GENERAL BUSINESS LAW WILL BE PROMULGATED THIS BIENNium. IN VAGUE DISCUSSION OF THIS LAW, HE ADMITTED THAT ACHIEVING "WORKER PARTICIPATION" IN COMMERCIAL ENTERPRISES WILL BE MORE DIFFICULT THAN IN INDUSTRIAL FIRMS. HOWEVER, HE STATED "THERE ARE MANY LARGE AND PROFITABLE COMMERCIAL ENTERPRISES WHERE IT WOULD BE POSSIBLE TO INSTITUTIONALIZE FORMS OF WORKER PARTICIPATION SIMILAR TO THE INDUSTRIAL COMMUNITIES."

5. IN WHAT WAS PROBABLY MOST IMPORTANT POINT, ARIAS SAID THAT "THE IMPORTATION OF NON-ESSENTIAL PRODUCTS WILL BE DRASTICALLY CONTROLLED" \$73 59 4-08\$ 48 3 9* 294)\$ 048:3 , NEED TO "GUARANTEE EXECUTION OF VARIOUS INVESTMENT PROJECTS" AND "OBLIGATORY ACQUISITION" OF NEEDS OF THE PEOPLE. HE ADDED THAT IMPORT RESTRICTION POLICY WILL NOT AFFECT AGREEMENTS ALREADY ENTERED INTO OR DECISIONS BY ANDEAN PACT. IN REPLY TO A QUESTION, HE EXPLAINED THAT IMPORTS FROM ANDEAN GROUP WOULD PRESENT A PROBLEM, BUT HE MADE VAGUE REFERENCE TO THE FACT THAT EXISTING AGREEMENT ALLOWS FOR "HARMONIZATION" OF POLICIES AMONG MEMBER COUNTRIES. LIMITED OFFICIAL USE

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6. ARIAS CRITICIZED TRA HARSHLY. REFERRING TO PERU'S ADHERENCE TO THIRD WORLD ECONOMIC POLICIES, ARIAS THEN SAID, "CONFRONTED WITH THIS ATTITUDE, THE DEVELOPED COUNTRIES FEAR THE LOSS OF THEIR SPHERES OF INFLUENCE WHICH HAVE PERMITTED THEM TO IMPOSE THEIR OWN ECONOMIC AND COMMERCIAL CRITERIA FOR THEIR OWN BENEFIT. THIS DEFENSIVE ATTITUDE IS MANIFESTED IN RECENT

ACTIONS SUCH AS THE APPROVAL OF THE TRADE ACT BY THE UNITED STATES OF AMERICA. THESE MEASURES TEND TO GENERATE DISUNITY AND TO FORMENT RIVALRY OF INTERESTS AMONG COUNTRIES IN DEVELOPMENT. THEY HAVE THE INTENTION OF BREAKING THE UNITY OF NATIONS THAT HAVE ORGANIZED THEMSELVES INTO RAW MATERIAL PRODUCER ASSOCIATIONS SUCH AS OPEC AND CIPEC. THE INSUFFICIENT OFFERS OF GREATER COMMERCIAL LIBERALIZATION SUCH AS THE PRESUMED OFFER OF A SYSTEM OF PREFERENCES THAT CONTRADICTS THE ESSENCE OF THE INSTITUTION ITSELF, VIOLATING THE PRINCIPLES OF NONDISCRIMINATION AND NONRECEIPROCITY, ARE SIGNS (OF THE EFFORT) TO REINSTATE THEIR SPHERES OF DOMINATION AND TO DETER OUR STRUGGLE AGAINST DEPENDENCY. THEY SEEK TO TRANSFER TO US THOSE LINES OF PRODUCTION THAT ARE TROUBLESOME IN THEIR OWN ECONOMIES BECAUSE THEY ARE INEFFICIENT AND HAVE HIGH COSTS OF PRODUCTION, OR BECAUSE OF THEIR DEPENDENCY ON IMPORTED RAW MATERIALS. FINALLY, THEY SEEK TO IMPOSE THE REIGN OF TRANSNATIONAL CORPORATIONS, AFFORDING THEMSELVES EVERY SECURITY FOR THEIR OPERATION AT A WORLD LEVEL. ALL THE FOREGOING MUST BRING US TO THE CLEAR UNDERSTANDING THAT, IN THE REALM OF FOREIGN COMMERCE, ONE OF THE MOST CURCIAL BATTLES FOR OUR ECONOMIC INDEPENDENCE IS NOW BEING WAGED."

7. IN QUESTION AND ANSWER PERIOD AFTER SPEECH, ARIAS AGAIN TOOK ON TRA. IN REITERATING GOP LINE, HE STATED, "PERU CANNOT BE IN AGREEMENT WITH THE TRA IF IT TRIES TO DIVIDE THE THIRD WORLD, SETTING UP A SYSTEM OF PREFERENTIAL CONDITIONS THAT IMPLY THE RENUNCIATION BY (THIRD WORLD COUNTRIES) OF THEIR RIGHT TO ASSOCIATE THEMSELVES INTO PRODUCERS CARTELS AND DEFEND THEIR RAW MATERIALS." HE SAID TRA GIVES IMPRESSION OF ASSISTING INDUSTILAIZATION OF LDC'S "BUT AT WHAT PRICE? (PRICE LIMITED OFFICIAL USE

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WOULD INCLUDE) USING AS A BASE ITS (U.S.) TRANSNATIONAL ENTERPRISES AND AFFILIATES...WHICH WOULD BE POLLUTERS OF THE ENVIRONMENT, FOR EXAMPLE,...OR WHICH WOULD USE MATERIALS THAT ARE COSTLY IN (U.S.) BUT CHEAP IN THE POOR COUNTRIES." HE THEN NOTED THAT U.S. COULD USE PERU'S CHEAP LABOR AND MATERIALS AND "TRANSFER THEM TO INDUSTRIES THAT HAVE TECHNICAL PROBLEMS." HE CONCLUDED THAT "WORST OF ALL IS THAT, IN THAT WAY, THE U.S. CAN MANAGE THE DEVELOPMENT OF A COUNTRY IN AMANNER THAT SUITS IT...THE GOVERNMENT OF PERU CANNOT AND WILL NOT BE INAGREEMENT (WITH TRA) BECAUSE (IT) CONTRADICTS PRECISELY THOSE PRINCIPLES AND IDEALS THAT ANIMATE THE PERUVIAN REVOLUTIONARY PROCESS."

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ACTION ARA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

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8. COMMENT: GENERAL COMMERCIAL AND BUSINESS REACTION TO SPEECH WAS, AS MIGHT BE EXPECTED, NEGATIVE. EMPHASIS ON SOCIAL PROPERTY AND PENDING "COMMERCIAL COMMUNITY" WAS PARTICULARLY DISTURBING TO PRIVATE SECTOR. ALSO DISTURBING WAS THEME THAT "MIDDLEMEN" ARE INEFFICIENT AS SERVE NO USEFUL ECONOMIC PURPOSE AND, AS A RESULT, GOP WILL ELIMINATE THEM BY TAKING DIRECT CONTROL OF DISTRIBUTION, AS WELL AS PRODUCTION. IT IS ALREADY AN ACCOMPLISHED FACT THAT FOREIGN COMMERCE IS MOVING IN THE DIRECTION OF ELIMINATION OF MIDDLEMEN QUITE RAPIDLY, BUT WHETHER AND AT WHAT PACE DOMESTIC COMMERCE WILL BE SUBJECT TO ELIMINATION OF MIDDLEMEN IS NOT CLEAR. WHILE THRUST OF GOP POLICY IS IN THE DIRECTION, GIVEN PROBLEMS INVOLVED IT IS NOT LIKELY THAT GOP WILL TAKE DRASTIC MEASURE IN THE NEAR FUTURE. SIMILARLY, IN CASE OF "COMMERCIAL COMMUNITY" AKIN TO INDUSTRIAL COMMUNITY, MINISTER'S FAILURE TO DETAIL SPECIFICS LEADS US TO BELIEVE THAT THIS IDEA, WHILE POPULAR WITH COAP PLANNERS AND VARIOUS IDEOLOGUES OF REVOLUTION, MAY NOT SEE LIGHT OF DAY FOR SOME TIME, PARTICULARLY SINCE GOP ALREADY HAS ITS PLATE FULL WITH INDUSTRIAL

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COMMUNITY AND SOCIAL PROPERTY CONCEPTS. MINISTER'S
DISCUSSION OF ELIMINATION OF MIDDLEMEN AND CREATION OF
SOCIAL PROPERTY ENTERPRISES PARALLELS SIMILAR STATE-
MENTS MADE BY FOOD MINISTER HOYOS LAST WEEK (LIMA 2280).

9. IN REGARD TO ATTACK ON TRA, KNOWLEDGEABLE
GOP OFFICIAL TOLD US AFTER SPEECH THAT ARIAS' RHETORIC
WAS DESIGNED FOR DOMESTIC CONSUMPTION AND THAT WE
SHOULD NOT BE TOO SURPRISED THAT HE RECENTLY TOOK A MUCH LESS
VEHEMENT TONE WITH ASSISTANT SECRETARY ROGERS.
DEAN

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